

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Ingham County Housing Commission	County Ingham
Audit Date 9/30/05	Opinion Date 2/2/06	Date Accountant Report Submitted to State: 5/3/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

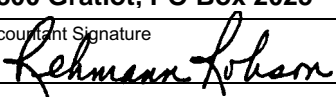
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Rehmann Robson			
Street Address 5800 Gratiot, PO Box 2025		City Saginaw	State MI
Accountant Signature 		ZIP 48605	Date 5/3/06

**INGHAM COUNTY HOUSING
COMMISSION**

Okemos, Michigan

FINANCIAL STATEMENTS

**For the Year Ended
September 30, 2005**



REHMANN ROBSON

Certified Public Accountants

INGHAM COUNTY HOUSING COMMISSION

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

February 2, 2006

Board of Commissioners
Ingham County Housing Commission
Okemos, Michigan

We have audited the accompanying financial statements of the **INGHAM COUNTY HOUSING COMMISSION, an enterprise fund of Ingham County, Michigan**, as of and for the year ended September 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Ingham County Housing Commission management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the accompanying financial statements present only the Ingham County Housing Commission Enterprise Fund and do not purport to, and do not, present fairly the financial position of Ingham County, Michigan, as of September 30, 2005, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ingham County Housing Commission, as of September 30, 2005, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2-4 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ending September 30, 2005

The Management Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of the Ingham County Housing Commission (IHC) for the year ending 9-30-05. The MD&A is designed to assist readers of financial statements in focusing on significant financial activities and issues and to identify any significant changes. As this information is presented in summary form, it should be read in conjunction with the financial statements as a whole.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report/audit consists of three parts – management's discussion and analysis, the basic financial statements, and the notes.

The basic financial statements include the following:

- The Statement of Net Assets, which presents assets less liabilities at fiscal year end.
- The Statement of Revenues, Expenses, and Changes in Fund Net Assets, which presents activity for the year then ended.
- Statement of Cash Flows, which show sources and uses of cash for each of the programs.
- Financial Statements also include notes that explain some of the more significant information contained within the statements and provide more detailed data.

In the notes, it explains that the IHC is an enterprise fund of the County of Ingham, State of Michigan. It continues to identify the major programs administered by the IHC. These programs include HUD Federally Subsidized Affordable Housing, Mainstream Housing Choice Voucher program, and MSHDA funded Homeowner and Rental Rehabilitation programs.

FINANCIAL HIGHLIGHTS

Net Assets

	2005	2004
Assets		
Current and other assets	\$ 1,561,668	\$ 1,615,426
Capital assets	2,450,241	2,586,031
Total assets	4,011,909	4,201,457
Liabilities		
Long-term liabilities outstanding	20,000	20,000
Other liabilities	216,265	225,025
Total liabilities	236,265	245,025
Net assets		
Invested in capital assets, net of related debt	2,450,241	2,586,031
Unrestricted	1,325,403	1,370,401
Total net assets	\$ 3,775,644	\$ 3,956,432

Change in Net Assets

The ICHC experienced a decrease in net assets of \$180,788 in 2005 as compared to an increase of \$579,601 in 2004.

	2005	2004
Revenue		
Program revenues		
Charges for services	\$ 218,088	\$ 234,275
Operating grants and contributions	753,607	1,476,950
General revenues		
Interest revenue	7,135	1,414
Total revenue	978,830	1,712,639
Expenses:		
Public housing	599,530	484,972
Housing assistance	472,968	490,055
Rehabilitation	87,120	158,011
Total expenses	1,159,618	1,133,038
Change in net assets	(180,788)	579,601
Net assets, beginning of year	3,956,432	3,376,831
Net assets, end of year	\$ 3,775,644	\$ 3,956,432

Overall revenues decreased from \$1,712,639 in 2004 to \$978,830, a 43% decrease. Both the increase in 2004 and the decrease in 2005 is misleading somewhat as there was \$221,960 drawn down in HUD capital fund in 2004 and none in 2005. HUD Rehabilitation (MSHDA's Homeowner and Rental Rehabilitation program) comes in 2 year grant cycles. The 2003-04 cycle was nearly \$950,000 and the 2005-06 funding cycle is \$543,900. Also, due to the set up of a new program in each 2 year cycle, the majority of funds are expended in the 2nd year of the cycle.

- Capital fund revenues \$221,960 in 2004, -0- in 2005
- HUD rehabilitation \$683,168 in 2004, \$187,397 in 2005
- Total net decrease of two (2) revenue sources \$717,731 or 97% of revenue decrease from 2004 to 2005.

FACTORS BEARING ON THE FUTURE OF THE ICHC

At the time the financial statements were prepared and audited, the ICHC was planning for another reduction in federal funding for the 2006 fiscal year in Public Housing operations, Capital funding, and Community Development Block Grant (CDBG) program. Due to a strong history of financial planning, acceptable reserves, and the willingness and ability of staff and board to expand the scope of the service provided to the residents of Ingham County, we expect to provide even more quality services in 2006 and beyond. Opportunities are being explored with new MSHDA programming and a possible partnership with Ingham County in new housing opportunities.

New changes in Public Housing funding should help the ICHC as we are considered a small HC by HUD definition and we are scheduled for a 7-10% increase in operating subsidy. Also, as a single building HC with an increase in operating subsidy, the change to Asset Management format should create no financial burden for the ICHC.

CONTACTING THE INGHAM COUNTY HOUSING COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, taxpayers, and other interested parties with a general overview of the finances of the Ingham County Housing Commission and to demonstrate the Commissions accountability for the funding it receives. If you have questions about this report or need additional information, contact the ICHC at 3882 Dobie Rd., Okemos, MI 48864

FINANCIAL STATEMENTS

INGHAM COUNTY HOUSING COMMISSION

Statement of Net Assets

September 30, 2005

Assets

Current assets

Cash and cash equivalents	\$ 379,004
Restricted cash and cash equivalents -	
Customer deposits	18,994
Subsidy receivable restricted for debt service	41,497
Accounts receivable, net	3,975
Total current assets	<u>443,470</u>

Noncurrent assets

Loans receivable	1,118,198
Capital assets not being depreciated	327,078
Capital assets being depreciated, net	2,123,163
Total noncurrent assets	<u>3,568,439</u>

Total assets

4,011,909

Liabilities

Current liabilities

Accounts payable	108,915
Accrued payroll	42,401
Accrued compensated absences	23,440
Customer deposits payable	18,994
Accrued interest payable	21,497
Unearned revenue	1,018
Total current liabilities	<u>216,265</u>

Noncurrent liabilities

Notes payable	<u>20,000</u>
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Total liabilities

236,265

Net assets

Invested in capital assets	2,450,241
Unrestricted	<u>1,325,403</u>
Total net assets	<u>\$ 3,775,644</u>

The accompanying notes are an integral part of these financial statements.

INGHAM COUNTY HOUSING COMMISSION
Statement of Revenues, Expenses, and Changes
in Fund Net Assets
For the Year Ended September 30, 2005

Operating revenue

Dwelling rental	\$ 212,067
Intergovernmental revenue:	
HUD operating subsidy	93,583
HUD Section 8 vouchers	472,627
HUD rehabilitation	187,397
Other income	6,021
Total operating revenue	<u>971,695</u>

Operating expenses

Public housing:	
Administration	143,356
Tenant services	1,091
Utilities	79,196
Maintenance and operations:	
Ordinary	132,527
Non-routine	106,964
Depreciation	135,790
Insurance	495
Other expenses	111
Housing assistance:	
Administration	55,487
Assistance payments	417,481
Rehabilitation - administration	87,120
Total operating expenses	<u>1,159,618</u>
Operating loss	(187,923)

Nonoperating revenue

Investment income	<u>7,135</u>
Change in net assets	(180,788)
Net assets, beginning of year	<u>3,956,432</u>
Net assets, end of year	<u><u>\$ 3,775,644</u></u>

The accompanying notes are an integral part of these financial statements.

INGHAM COUNTY HOUSING COMMISSION

Statement of Cash Flows

For the Year Ended September 30, 2005

Cash flows from operating activities

Receipts from customers and users	\$ 218,088
Receipts from grantors	716,881
Payments to suppliers and contractors	(904,611)
Payments to employees	<u>(232,200)</u>

Net cash used in operating activities (201,842)

Cash flows from investing activities

Interest received	<u>7,135</u>
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Net decrease in cash and cash equivalents (194,707)

Cash and cash equivalents, beginning of year 592,705

Cash and cash equivalents, end of year \$ 397,998

Reconciliation to the Statement of Net Assets

Cash and cash equivalents	\$ 379,004
Restricted cash and cash equivalents	<u>18,994</u>
	<u><u>\$ 397,998</u></u>

Reconciliation of operating income (loss) to net cash used in operating activities:

Operating loss	\$ (187,923)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	135,790
Changes in assets and liabilities:	
Accounts receivable	(132)
Loans receivable	(140,817)
Accounts payable	5,631
Other accrued liabilities	21,945
Customer deposits payable	258
Unearned revenue	<u>(36,594)</u>
Net cash used in operating activities	<u><u>\$ (201,842)</u></u>

The accompanying notes are an integral part of these financial statements.

INGHAM COUNTY HOUSING COMMISSION

Okemos, Michigan

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Ingham County Housing Commission (“ICHC” or the “Commission”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the ICHC’s accounting policies are described below.

A. The Financial Reporting Entity

The ICHC is an Enterprise Fund of Ingham County, Michigan (the “County”) that operates a Low Income Public Housing Program which is subsidized by the Department of Housing and Urban Development (HUD) in accordance with the United States Housing Act of 1937, and is regulated by that Department.

The Commission is party to various contracts with HUD providing for loans and grants to assist the Commission in financing the development and modernization of housing units, annual contributions to pay for the principal and interest on project financing, and operating subsidies to help pay for the operation of the low-income public housing project. The Commission also administers various federal grant programs that provide housing assistance payments and housing rehabilitation assistance to eligible individuals. Federal funds of the Commission are included in the single audit of Ingham County.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The ICHC uses a fund (i.e., a separate accounting entity with a self-balancing set of accounts) to report its financial position and changes in financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions and activities.

The ICHC is operated as an enterprise fund, a proprietary fund type, which is used to account for operations that are financed and operated in a manner similar to private business. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

INGHAM COUNTY HOUSING COMMISSION

Okemos, Michigan

Notes To Financial Statements

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Commission has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission are governmental grants. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Assets, Liabilities and Equity

1. Deposits

The ICHC's cash and cash equivalents include cash on hand, demand deposits and short-term investments with an original maturity of less than three months.

State statutes authorize the ICHC to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the United States, certain commercial paper, repurchase agreements, bankers acceptances and mutual funds composed of otherwise legal investments.

2. Restricted Assets

Certain assets are classified as restricted assets on the statement of net assets because their use is limited for specific purposes under HUD regulations.

3. Loans Receivable

Loans receivable consists of loans made under the housing rehabilitation assistance program.

INGHAM COUNTY HOUSING COMMISSION
Okemos, Michigan

Notes To Financial Statements

4. Capital Assets

Capital assets, which include property and equipment, are recorded at cost. Capital assets are defined by the Commission as assets with an individual cost of more than \$3,000 and an estimated useful life in excess of two years. Donated property and equipment are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend their lives are charged to expense when incurred.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	40
Equipment	3-10

2. DEPOSITS AND INVESTMENTS

The following is a reconciliation of deposit and investment balances as of September 30, 2005:

Statement of Net Assets:

Cash and cash equivalents	\$ 379,004
Restricted cash and cash equivalents	<u>18,994</u>
	<u>\$ 397,998</u>

Deposits and Investments:

Bank deposits	\$ 113,848
Investments	284,000
Cash on hand	<u>150</u>
	<u>\$ 397,998</u>

INGHAM COUNTY HOUSING COMMISSION

Okemos, Michigan

Notes To Financial Statements

As of September 30, 2005, the Commission held investments with a carrying amount and fair value of \$284,000, which consisted entirely of Allegiant governmental money market funds.

Deposit and investment risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Commission's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Commission's investment policy does not have specific limits in excess of state law on investment credit risk. None of the Commission's investments were subject to investment ratings at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. State law does not require and the Commission does not have a policy for deposit custodial credit risk. As of year end, none of the Commission's bank balance of \$150,233 was exposed to custodial credit risk because it was entirely insured.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Commission does not have a policy for investment custodial credit risk. On the investments held by the Commission, there is no custodial credit risk, as the investments are uncategorized as to credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The Commission's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

INGHAM COUNTY HOUSING COMMISSION

Okemos, Michigan

Notes To Financial Statements

3. HUD ANNUAL CONTRIBUTION RECEIVABLE

The following is a summary of the HUD Annual Contribution Receivable for debt service, which is recorded as accrued interest payable in the accompanying financial statements, as of September 30, 2005:

<u>Year Accrued</u>	<u>Annual Contribution Permanent Note (Modernization)</u>
1988-2001	\$ 21,497
2002-2005	<u>-</u>
	<u>\$ 21,497</u>

The "Subsidy Receivable for Debt Service" on the financial statements also includes an amount for notes payable of \$20,000 at September 30, 2005.

4. CAPITAL ASSETS

Changes in the components of the capital assets are summarized as follows:

	<u>Balance October 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2005</u>
Capital assets not being depreciated:				
Land	\$ 327,078	\$ -	\$ -	\$ 327,078
Capital assets being depreciated:				
Buildings and improvements	4,860,128	-	-	4,860,128
Equipment	217,902	-	-	217,902
Subtotal	<u>5,078,030</u>	<u>-</u>	<u>-</u>	<u>5,078,030</u>
Accumulated depreciation				
Buildings and improvements	2,629,759	121,503	-	2,751,262
Equipment	189,318	14,287	-	203,605
Total accumulated depreciation	<u>2,819,077</u>	<u>135,790</u>	<u>-</u>	<u>2,954,867</u>
Total capital assets being depreciated - net	<u>2,258,953</u>	<u>(135,790)</u>	<u>-</u>	<u>2,123,163</u>
Business-type activities capital assets - net	<u>\$ 2,586,031</u>	<u>\$ (135,790)</u>	<u>\$ -</u>	<u>\$ 2,450,241</u>

INGHAM COUNTY HOUSING COMMISSION
Okemos, Michigan

Notes To Financial Statements

5. PERMANENT NOTES

Long-term debt of the Commission consists of the following:

	Balance October 1, <u>2004</u>	<u>Increases</u>	<u>(Decreases)</u>	Balance September 30, <u>2005</u>	Due Within <u>One Year</u>
Permanent notes (modernization)	\$ <u>20,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>20,000</u>	\$ <u>-</u>

Interest payable on this note as of September 30, 2005, is \$21,497.

A debt service requirement is not available for the Commission's HUD permanent note. This note is guaranteed by the Federal Government. The Commission has entered into an Annual Contributions Contract with the U.S. Department of Housing and Urban Development (HUD) under provisions of the United States Housing Act of 1937. In accordance with this contract, the Commission receives annually a contribution from the Federal Government for debt service.

6. RISK MANAGEMENT

Through the County, the ICHC is self-insured for workers' compensation claims up to \$300,000 per occurrence and insured for the amount of claims in excess of that limitation up to a maximum of \$5 million.

Also through the County, the ICHC participates in the Michigan Municipal Risk Management Authority (MMRMA) for general and automobile liability, motor vehicle physical damage and property coverage. Under most circumstances, the maximum loss retention per occurrence is as follows:

<u>Type of Risk</u>	<u>Maximum Retention Per Occurrence</u>
General and automobile liability	\$150,000
Motor vehicle physical damage	\$ 16,000 per vehicle \$ 31,000 per occurrence
Property coverage	\$ 11,000

Further information and disclosures regarding risk management is provided in the County's comprehensive annual financial report.

INGHAM COUNTY HOUSING COMMISSION
Okemos, Michigan

Notes To Financial Statements

7. EMPLOYEE RETIREMENT SYSTEM

ICHC employees participate, along with other Ingham County employees, in the Michigan Municipal Employees Retirement System. The plan is a multiple employer defined benefit plan, administered by the State of Michigan. Further information regarding the Ingham County plan including detailed trend information is presented in the County's comprehensive annual financial report, which is available to the public.

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



February 2, 2006

To the Board of Commissioners of the
Ingham County Housing Commission
Okemos, Michigan

We have audited the financial statements of the Ingham County Housing Commission for the year ended September 30, 2005, and have issued our report thereon dated February 2, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated January 19, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Ingham County Housing Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Ingham County Housing Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Ingham County Housing Commission during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Ingham County Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Ingham County Housing Commission, either individually or in the aggregate, indicate matters that could have a significant effect on the Ingham County Housing Commission's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Ingham County Housing Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter is intended for the use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Lehmann Johnson". The signature is written in black ink and is positioned below the closing "Very truly yours,".